ANNUAL REPORT 1991 年報

GIORDANO

GIORDANO
HOLDINGS
LIMITED
佐丹奴企業有限公司

Contents

2 FINANCIAL AND OPERATION HIGHLIGHTS

3 CORPORATE STRUCTURE

4 CORPORATE INFORMATION

6 CHIEF EXECUTIVE'S STATEMENT

8 OPERATIONS REVIEW

17 NOTICE OF ANNUAL GENERAL MEETING

18 REPORT OF THE DIRECTORS

24 CONSOLIDATED PROFIT AND LOSS ACCOUNT

25 BALANCE SHEETS

26 CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

28 NOTES TO THE ACCOUNTS

45 REPORT OF THE AUDITORS

Financial and Operation Highlights

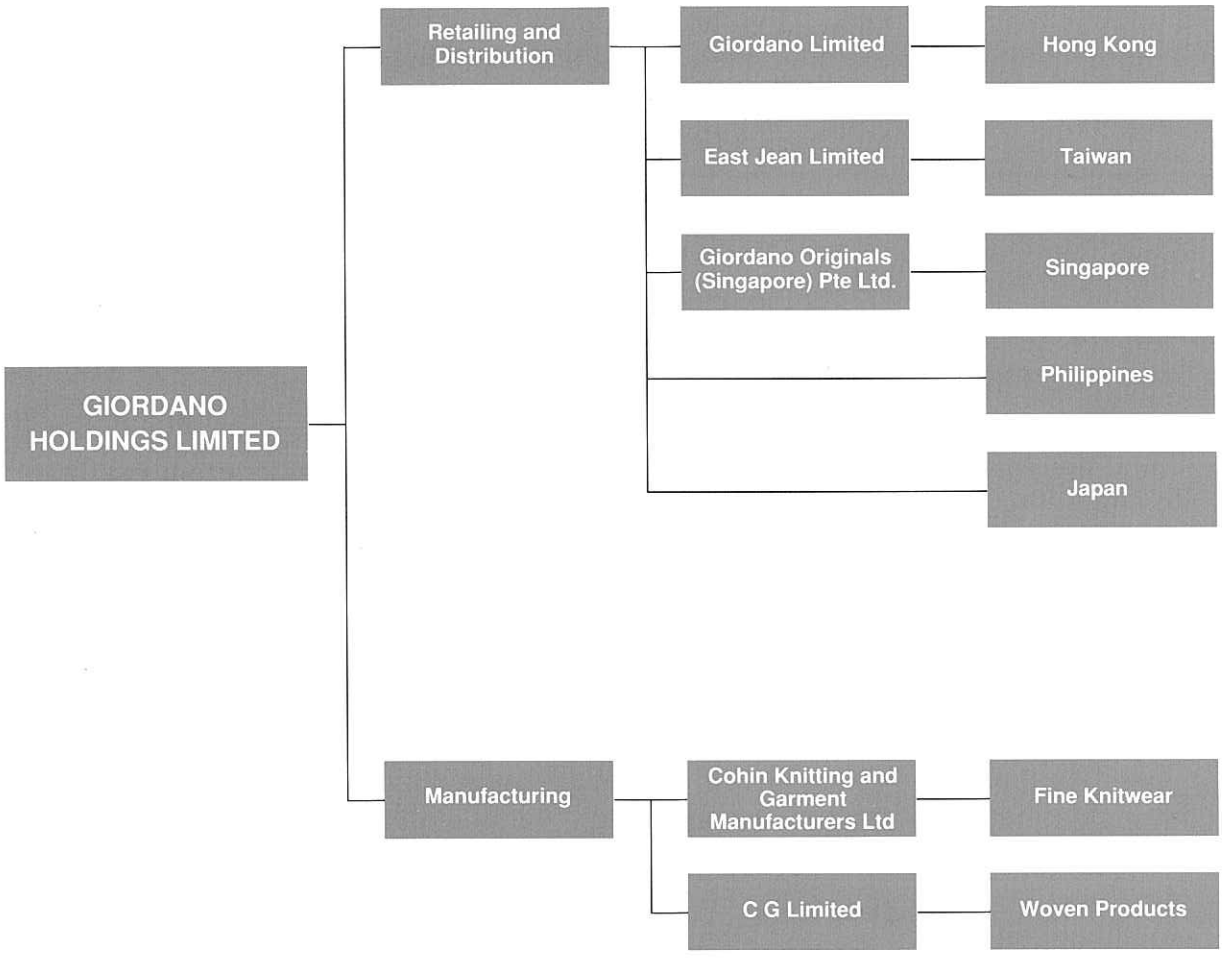
FINANCIAL HIGHLIGHTS

(Amounts expressed in HK$'000)	***1991***	*1990*	*1989*	*1988*
Turnover	**1,169,622**	892,337	711,564	498,293
Profit after tax	**85,130**	45,501	28,734	21,152
Shareholders' fund	**283,239**	58,630	34,861	5,595
Working capital	**219,262**	9,467	(23,638)	(54,682)
Debt to equity ratio	**0.6**	4.6	7.3	45.3
Current ratio	**2.2**	1.0	0.9	0.8
Inventory turnover on sales *(Days)*	**76**	71	73	91

OPERATION HIGHLIGHTS

	1991	*1990*	*1989*	*1988*
No. of retail outlets	**236**	148	118	101
Retail floor area *(sq. ft.)*	**116,400**	95,100	70,400	51,400
Sales per square foot *(HK$)*	**10,900**	10,000	8,800	8,600
No. of employees	**1,477**	1,437	1,298	1,147
Comparable stores sales increase *(%)*	**36**	25	40	80

Corporate Structure



Corporate Information

DIRECTORS

Mr. Lai Chee Ying, Jimmy *Non-executive Chairman*

Mr. Lee Kwok Cheung, Brian *Chief Executive*

Mr. Lau Kwok Kuen, Peter

Mr. Barry John Buttifant *Non-executive*

Mr. Edward James Wu *Non-executive*

Mr. Wang Xin Wen *Non-executive*

COMPANY SECRETARY

Mr. Chan Kui Tim, Jimmy

REGISTERED OFFICE

6th Floor, Tin On Industrial Building

777-779 Cheung Sha Wan Road

Kowloon, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Lee Kwok Cheung, Brian

Mr. Chan Kui Tim, Jimmy

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited

1 Queen's Road Central,

Hong Kong

Citibank N.A.

18 Whitfield Road

Causeway Bay

Hong Kong

First Pacific Bank

29th Floor, First Pacific Bank Centre

51-57 Gloucester Road

Hong Kong

SOLICITORS TO THE COMPANY

Robin Bridge & John Liu
22nd Floor, Lane Crawford House
70 Queen's Road Central
Hong Kong

Slaughter and May
27th Floor, Two Exchange Square
Hong Kong

AUDITORS

Coopers & Lybrand
Certified Public Accountants
23rd Floor, Sunning Plaza
10 Hysan Avenue
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Abacus (Hong Kong) Limited
2201 Sunning Plaza
10 Hysan Avenue
Hong Kong

Chief Executive's Statement

I am pleased to report that Giordano Holdings Limited's after tax profit on a combined basis in 1991 increased by 87% to HK$85.1 million, compared with HK$45.5 million in the previous year. This profit exceeded the forecast of HK$78 million, as provided in the prospectus at the time of the Group's flotation in May 1991, by 9%. The Group's turnover also grew significantly to HK$1,169.6 million, a 31% increase over that of the previous year. Combined earnings per share increased by 56% to 15.8 cents.

The Group's remarkable achievement was largely due to substantial growth in retail sales in all the Group's markets, particularly Hong Kong and Taiwan. The operations were supported by a high quality and efficient manufacturing base; and the Group has derived further benefits from economies of scale. In 1991, the number of retail outlets increased by 88, to a total of 236. These comprised 70 stores, 143 department store counters and 23 franchised shops.

In the coming year, the Group will focus on Japan and Taiwan. More outlets will be opened in Taiwan, with particular emphasis on the southern part of the island, where demand for GIORDANO products exists but which is currently thinly covered. The Directors consider that the GIORDANO name has begun to establish itself in the Japanese market. In order to further promote the GIORDANO image and penetrate this market, plans are being made to establish the Group's own shops in major cities in Japan.

The Group is also looking for opportunities in other Asian markets and has planned to open up to 5 outlets in Kuala Lumpur, Malaysia in the first half of 1992. Studies are being conducted in countries such as the People's Republic of China, South Korea and Indonesia, where there are large populations and dynamic economic growth.

To cope with the growth in retail sales, the Group will expand its manufacturing capacity in the People's Republic of China and, where necessary, in other countries. Earlier this year, the Group acquired Gloss Mind Limited, which operates a woven apparel factory at Yan Tian, the People's Republic of China.

The economic outlook in the Asia Pacific region remains bright. The directors believe that this provides the Group with an enormous opportunity for expansion and growth in both sales and profitability.

The management continues to focus on a specific range of products exclusively marketed under the GIORDANO brand and to offer its customers "value for money" products. The management is also committed to a continued improvement in customer services, quality of products and efficiency in stock replenishment, which will further strengthen the Group's competitiveness.

On behalf of the directors, I would like to thank the staff members for their dedication and exceptional performance during the past year.

LEE KWOK CHEUNG, BRIAN

9th April 1992

Operations Review

During its first year of trading as a listed company, the Group strengthened its position within the Asian casualwear retail market through expansion into a new market, Japan, the largest retail market in Asia. In addition, the Group further penetrated existing markets by strengthening its retail network and enhancing its manufacturing capability. As a result, Giordano enjoyed growing recognition as a retailer of value for money casualwear garments.

RETAIL AND DISTRIBUTION

Introduction

Giordano retail outlets are becoming a common sight in the key Asian city centres of Hong Kong, Taiwan and Singapore, as well as suburban areas within Taiwan and Japan. During 1991, the Group opened a further 88 outlets, bringing the Group's total number of outlets to 236 at the end of 1991.

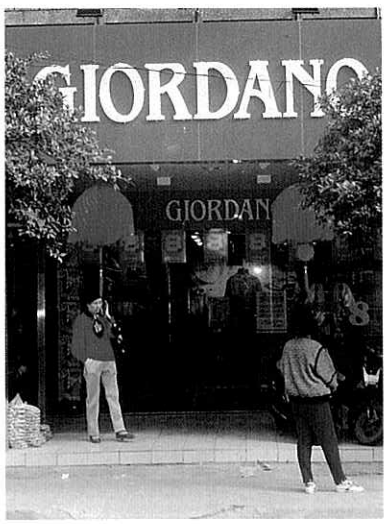
While attention is given to expanding the number of outlets and securing prime high-traffic locations, the Group's growth strategy is also aimed at increasing the size and efficiency of existing sites. Success in this objective was reflected in the 12% growth in average shop size and 9% growth in average sales per sq. ft. to HK$10,900 in 1991.

Hong Kong	*1991*	*1990*
Retail Sales (HK$m)	**544.7**	407.8
Profit before tax (HK$m)	**48.3**	32.6
Sales per sq. ft. (HK$)	**18,400**	15,700
Comparable store sales increase (%)	**35**	19
Retail floor area (sq. ft.)	**30,600**	28,700
Number of sales associates	**402**	393
Number of outlets	**36** (32 shops 4 counters)	35 (31 shops 4 counters)

During a successful year of growth, the Group developed its position as one of Hong Kong's leading retailers of casualwear. By year end, the Group managed a total of 36 retail outlets in the territory. While the retail floor space increased 7 % to 30,600 sq. ft., total retail sales rose 34% to HK$544.7 million, thanks to a 17 % increase in sales per sq. ft. , showing that the increase in sales was mostly due to improved operating efficiency.

The Group's shops and department store counters in Hong Kong are well located in prime and highly visible sites. Shop locations are regularly re-assessed to ensure they provide the greatest visibility for Giordano products and convenience for customers. Operational efficiency improved with the upgrading of the electronic point-of-sale (EPOS) system which allows better inventory and shop operation management.

Priority will be given to enhancing the ability of our network to increase sales by securing better locations and increasing the size of our shops and counters. With an average size of only 850 sq. ft. per outlet at the end of 1991, there is great potential for sales growth by enlarging existing outlets.



Taiwan	*1991*	*1990*
Retail Sales (HK$m)	**353.3**	221.9
Profit before tax (HK$m)	**44.4**	31.6
Sales per sq. ft. (HK$)	**6,800**	6,500
Comparable store sales increase (%)	**34**	49
Retail floor area (sq. ft.)	**58,400**	43,000
Number of sales associates	**288**	220
Number of outlets	**114** (45 shops 69 counters)	95 (35 shops 60 counters)

After a strong sales increase of 59% in 1991, Taiwan is still expected to register the strongest growth for our retail operations in the next two years, due to its larger population, bigger geographical area and high consumption power. We see good potential for opening more outlets particularly in major cities in the central and southern areas of the island where only a small network of outlets has been established.

During 1991, there were 10 shops and 9 counters opened in Taiwan, boosting the total number of outlets to 114. Preference will be given to shops in the expansion of the retail operation in Taiwan in light of the higher visibility and profit potential of independent outlets.

Operational efficiency has been greatly enhanced as a result of installing the EPOS system in our shops in Taiwan last September. The EPOS system will be expanded to link up the more than 60 department store counters by the middle of 1992. The improved efficiency in our Taiwan operation is reflected in the 34% increase in comparable store sales and the 5% increase in average sales per square foot in 1991. While the increase in average sales per square foot in Taiwan was modest compared to the figures for Hong Kong and Singapore, it is expected to improve significantly as the new outlets opened in the last two years begin to mature.

Singapore	*1991*	*1990*
Retail Sales (HK $m)	**123.8**	91.8
Profit before tax (HK$m)	**9.7**	5.2
Sales per sq. ft. (HK$)	**10,700**	8,100
Comparable store sales increase (%)	**39**	4
Retail floor area (sq. ft.)	**10,800**	13,100
Number of sales associates	**104**	87
Number of outlets	**10** (8 shops, 2 counters)	13 (10 shops, 3 counters)

Singapore's affluent population responds well to Giordano's emphasis on quality, value for money and service. The Group's outlets in the city are concentrated in prime shopping areas such as Orchard Road, Chinatown, Marina Square and East Coast where they cater mostly to local customers.

There was an impressive increase in sales of 35% to HK$123.8 million in 1991, despite a reduction in the number of outlets. Outlets in less preferred locations were closed down. Two shops will be opened this year to replace those closed in 1991.

Philippines

A modest but growing chain of shops has been established in the Philippines through a locally-based franchise. This comprises eight shops in Manila at the end of 1991 , an increase of three shops over the previous year. Further expansion is expected in 1992 as the Philippines economy improves.

Japan

In November 1990, Giordano entered into a distribution agreement with Aoyama, a chain store operator specialising in menswear, and Itoman, an established general trading firm. Under this agreement, Aoyama purchases through Itoman Giordano products from the Group for sales in Aoyama's stores in Japan. At 31st December, 1991, there were 68 Giordano counters in Aoyama stores and this number is expected to increase to 150 this year.

Distributing through the Aoyama chain offers the Group widespread visibility within suburban and rural areas throughout Japan. In addition, the Group is exploring other channels to market Giordano products to city centre customers. The Group views Japan as a market of substantial long-term significance.

MANUFACTURING

Introduction

The Group's manufacturing operations continued to support Giordano's retail operations, through ensuring a reliable supply of high quality, efficiently-produced garments. This manufacturing capability constitutes an integral part of Giordano's success in the market.

During 1991, the Group's two factories, based in Guangdong province in the People's Republic of China (PRC), together supplied 68% their output to Giordano shops throughout the region. These comprised a knitwear factory operated under Group subsidiary Cohin Knitting & Garment Manufacturers Ltd and a jean factory under Group subsidiary CG Ltd. (formerly Comitex Garments Ltd). In January 1992, the Group acquired Gloss Mind Ltd. which operates a woven apparel factory located at Yan Tian, in the eastern part of the Shenzhen Special Economic Zone, the PRC. It is expected that this acquisition will further enhance the competitiveness of the Group's retailing business by providing a more flexible and efficient replenishment capability for cotton shirts, casual pants and jackets.

Apart from supplying Giordano shops, the Group's manufacturing operations also sell to outside customers, ensuring that they remain in touch with the trends and needs of the international garment industry.

Significantly, the majority of these outside customers were Japanese, whose quality requirements match those of Giordano shops. Owing to the low dependence upon the US market, the effect on the Group of any deterioration in trading relations between the US and the PRC will be minimal.

Knitwear Division	*1991*	*1990*
Sales (HK$m)	**325.6**	254.7
Profit/(loss) before tax (HK$m)	**13.8**	(3.6)
Monthly capacity at year end (000'dozen)	**51**	45
Workers	**2,342**	2,021
Percentage of sales to:		
Giordano	**66**	54
Japan	**19**	16
U. S. A.	**5**	23
Korea	**2**	1
Taiwan	**6**	1
Others	**2**	5

Cohin Knitting & Garment Manufacturers Ltd., which manufactures polo and T-shirts at a factory in Buji, the PRC, refocussed its strategy to primarily supply the Group's retail operations and Japanese customers . Further production capacity will be added this year to meet increasing demand from Giordano and outside customers.

Woven Division	*1991*	*1990*
Sales (HK$m)	**48.8**	87.1
Profit/(loss) before tax (HK$m)	**0.3**	(3.8)
Monthly capacity at year end (000'pieces)	**47**	60
Workers	**198**	559
Percentage of sales to:		
Giordano	**82**	52
Japan	**4**	5
U. S. A.	**1**	1
Korea	**3**	7
Others	**10**	35

In 1991, C G Limited was restructured to put emphasis on supporting the Group's retail operations. As a result, production facilities in Hong Kong were moved to the PRC. With the acquisition of the factory in Yan Tian at the beginning of 1992, the woven division's production capability has been strengthened. Apart from supplying Giordano, it will also aim to sell to Japanese customers whose demand for quality is in line with the Group's objective of constantly upgrading product quality.

FUTURE PROSPECTS

The management is confident of the future development of the Group. With a widely recognised image in the market as a value-for-money casualwear retailer and a staff deeply committed to continuously improving product quality and customer service, the Group is strongly positioned to expand in the Asia Pacific region, which is the focus of our business development over the next few years.

Programmes have been started to enhance our strengths in customer service, stock replenishment, training and management development. Investments are being made to upgrade our information system to allow our retail and production teams to work more closely together in order to respond faster to market demand. Production capacity will be expanded to cope with increasing retail sales so that the greatest flexibility and cost effectiveness in inventory replenishment can be achieved. Where necessary, our well established production system will be extended to other Asian countries to support retail operations in the local markets.

Developments in Japan and, more recently in Malaysia, should add strength to the Group's growth in the next two years. Enlarged distribution through counters set up in Aoyama stores will boost awareness of the GIORDANO brand and sales of our products in Japan. Furthermore, independent shops to be opened in major city centres in the near future will enable us to further penetrate the enormous Japanese consumer market. We also see great potential in Malaysia in light of its economic boom. Plans have already been carried out to build a retail network in Malaysia and up to 5 outlets will be opened in Kuala Lumpur in the first half of 1992.

Studies are being conducted on other potential markets such as China, South Korea and Indonesia to prepare ourselves for the next phase of our expansion in Asia.

Notice of Annual General Meeting

Notice is HEREBY GIVEN that the Annual General Meeting of Giordano Holdings Limited （佐丹奴企業有限公司） will be held at the Ivy Room, 10th Floor, Mandarin Oriental Hotel, Central, Hong Kong on 18th May, 1992 at 10:00 a.m. for the following purposes:-

1. To receive and consider the audited accounts and the report of the directors and auditors for the year ended 31st December, 1991.
2. To elect directors.
3. To declare a final dividend and a special cash dividend.
4. To appoint auditors and authorise the directors to fix their remuneration.

By order of the Board
Jimmy Chan Kui Tim
Secretary
Dated 22nd April, 1992

Notes:

(1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

(2) To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the Company's share registrars, Abacus (Hong Kong) Limited, 2201 Sunning Plaza, 10 Hysan Avenue, Hong Kong not less than 48 hours before the time appointed for holding the meeting and any adjourned meeting.

(3) The register of members of the Company will be closed from 8th May, 1992 to 18th May, 1992, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend and the special cash dividend (which will be payable on or about 19th May, 1992) to be approved at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Abacus (Hong Kong) Limited, 2201 Sunning Plaza, 10 Hysan Avenue, Hong Kong not later than 5:00 p.m. on 7th May, 1992.

Report of the Directors

The directors have pleasure in submitting their report together with the audited accounts for the year ended 31st December , 1991.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal business of the Group is the retailing and distribution of "value for money" casual apparel and accessories under the GIORDANO brand. The Group also carries on an apparel manufacturing operation which supports the Group's retailing business and supplies products to third parties.

An analysis of the Group's combined turnover and contributions to trading results before taxation by activities is as follows:

	Turnover HK$'000	*Contribution HK$'000*
Retail & distribution	**1,050,077**	**95,925**
Manufacturing	**119,545**	**11,770**
	1,169,622	**107,695**

The geographical analysis of the Group's combined turnover is as follows:

	HK$'000
Hong Kong	**552,077**
Taiwan	**371,442**
Singapore	**123,776**
Japan	**76,397**
United States of America	**16,708**
Philippines	**10,785**
Korea	**8,825**
Other territories	**9,612**
	1,169,622

FINANCIAL INFORMATION

The results and changes in financial position of the Group for the year ended 31st December, 1991 and the state of affairs of the Company and of the Group as at that date, are set out in the accounts on pages 24 to 44.

COMPARATIVE FINANCIAL INFORMATION

The Group underwent a reorganisation prior to obtaining a listing on The Stock Exchange of Hong Kong Limited in June 1991, details of which are set out in note 1 to the accounts on page 28. The following table summarises the combined results, assets and liabilities of the Group for the four financial years ended 31st December 1991 , based on the audited accounts of the companies now comprising the Group and adjusted as appropriate as if the current group structure had been in existence throughout these financial years.

	1991	*1990*	*1989*	*1988*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Results				
Turnover	**1,169,622**	892,337	711,564	498,293
Profit before taxation	**107,695**	61,072	38,513	25,263
Taxation	**22,565**	15,571	9,779	4,111
Profit for the year	**85,130**	45,501	28,734	21,152
Assets				
Intangible assets	**6,884**	10,954	15,283	19,197
Fixed assets	**57,859**	39,002	44,390	42,252
Other investments	**1,777**	834	128	128
Current assets	**399,157**	278,488	228,417	197,378
Total assets	**465,677**	329,278	288,218	258,955

	1991	1990	1989	1988
	HK$'000	HK$'000	HK$'000	HK$'000
Liabilities				
Current liabilities	**179,895**	269,021	252,055	252,060
Deferred taxation	**2,543**	1,627	1,302	1,300
Total liabilities	**182,438**	270,648	253,357	253,360
Net assets	**283,239**	58,630	34,861	5,595

DIVIDENDS

No interim dividend has been declared and the directors recommend the payment of a final dividend of 4 cents per share and a special cash dividend of 1 cent per share for the financial year ended 31st December, 1991.

SHARE CAPITAL

Details of the movements in the authorised and issued capital of the Company during the year are shown in note 17 to the accounts on pages 38 and 39. Details of share options granted by the Company during the year and options outstanding at 31st December, 1991 are set out in note 17 to the accounts on pages 38 and 39.

RESERVES

Movements in reserves during the year are set out in note 18 to the accounts on pages 40 and 41.

FIXED ASSETS

Movements in fixed assets during the year are set out in note 11 to the accounts on pages 34 and 35.

SUBSIDIARIES

Details of the Company's subsidiaries at 31st December, 1991 are set out in note 24 to the accounts on page 44.

CHARITABLE DONATIONS

Donations made for charitable purposes by the Group during the year amounted to HK$75,895 (1990:nil).

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Mr. Lai Chee Ying, Jimmy	
Mr. Lee Kwok Cheung, Brian	
Mr. Lau Kwok Kuen, Peter	
Mr. Barry John Buttifant	appointed on 23rd May, 1991
Mr. Edward James Wu	appointed on 23rd May, 1991
Mr. Wang Xin Wen	appointed on 23rd May, 1991

Messrs. Barry John Buttifant, Edward James Wu and Wang Xin Wen retire in accordance with article 73 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN CONTRACTS

As part of the reorganisation in preparation for a listing on The Stock Exchange of Hong Kong Limited, the Company acquired the entire equity share capital of Cohin Knitting & Garment Manufacturers Limited and CG Limited from Comitex Holdings Limited; and East Jean Limited from Worldlink Enterprises Limited. In addition, during the year, the Group in the normal course of business purchased sweaters from Comitex Knitters Limited, a subsidiary of Comitex Holdings Limited, amounting to HK$91,852,000. Mr. Lai Chee Ying, Jimmy as director of the Company was interested in the aforesaid transactions as he has beneficial interests in both Comitex Holdings Limited and Worldlink Enterprises Limited.

Apart from the above, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries is a party, and in which any director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 1991 Mr. Lai Chee Ying, Jimmy had a beneficial personal interest in 284,526,481 shares of the Company.

Apart from the above, none of the directors and their associates had any beneficial or non-beneficial interests in the share capital of the Company or any of its subsidiaries at the balance sheet date.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

On 23rd May, 1991 an employee share option scheme ("the Scheme") was approved at an extraordinary general meeting of the Company under which the directors may, at their discretion, invite directors and employees of the Group, to take up options to subscribe for shares of the Company which in aggregate, may not exceed 10% of the issued share capital of the Company from time to time, excluding for this purpose the shares issued pursuant to the Scheme. The options may be exercised at any time during the period commencing six calendar months after the date of grant of such options and expiring on the fifth anniversary of the date of grant of such options.

Pursuant to the Scheme, options to subscribe for 11,750,000 shares of the Company at HK$0.81 per share were granted on 29th July, 1991 to the directors of the Company, Mr. Lee Kwok Cheung, Brian and Mr. Lau Kwok Kuen, Peter. During the year and upto the date of this report, these options have not been exercised.

Apart from the above at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As at 31st December, 1991 apart from 284,526,481 shares beneficially owned by Mr. Lai Chee Ying, Jimmy and 63,776,786 shares beneficially owned by China Resources (Holdings) Co. Limited, the Company had not been notified of any interest amounting to 10% or more of the issued share capital of the Company.

SERVICE CONTRACTS

There are no service contracts between any directors of the Company proposed for re-election at the forthcoming annual general meeting and the Company or any of its subsidiaries.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group had no bank loans and overdrafts outstanding at 31st December, 1991. Details of other borrowings and banking facilities utilised as at 31st December, 1991 are set out in notes 15 and 22 to the accounts on pages 37 and 43 respectively.

AUDITORS

A resolution to reappoint the retiring auditors, Coopers & Lybrand, will be submitted at the Annual General Meeting.

On behalf of the board

LEE KWOK CHEUNG, BRIAN
Chief Executive
Hong Kong, 9th April, 1992

Consolidated Profit and Loss Account

For the year ended 31st December , 1991

	Note	1991 HK$'000	1990 HK$'000	Proforma Combined Results (Note 1) 1991 HK$'000	1990 HK$'000
Turnover	3	**1,043,125**	585,050	**1,169,622**	892,337
Profit before taxation	4	**91,075**	38,325	**107,695**	61,072
Taxation	6	**(17,901)**	(7,910)	**(22,565)**	(15,571)
Profit attributable to the members	7	**73,174**	30,415	**85,130**	45,501
Appropriation:					
Dividends	8	**(30,048)**	(5,000)		
Retained profit for the year	18	**43,126**	25,415		
Earnings per share	9	**18.8¢**	59.6¢	**15.8¢**	10.1¢

The notes on pages 28 to 44 form an integral part of these accounts.

Balance Sheets

At 31st December, 1991

	Note	Group		Company	
		1991	1990	**1991**	1990
		HK$'000	HK$'000	**HK$'000**	HK$'000
Employment of capital					
Intangible assets	10	**6,884**	539	**0**	0
Fixed assets	11	**57,859**	16,631	**6,945**	320
Interest in subsidiaries	12	**0**	0	**642,871**	21,339
Other investments	13	**1,777**	834	**1,660**	684
Current assets	14	**399,157**	152,609	**14,856**	17
Current liabilities	15	**(179,895)**	(137,654)	**(35,929)**	(22,360)
Net current assets/(liabilities)		**219,262**	14,955	**(21,073)**	(22,343)
		285,782	32,959	**630,403**	0
Capital employed					
Share capital	17	**60,000**	0	**60,000**	0
Reserves	18	**223,239**	31,946	**569,644**	0
Shareholders' funds		**283,239**	31,946	**629,644**	0
Deferred taxation	19	**2,543**	1,013	**759**	0
		285,782	32,959	**630,403**	0

Approved by the Board of Directors on 9th April, 1992

LEE KWOK CHEUNG, BRIAN
Director

BARRY JOHN BUTTIFANT
Director

The notes on pages 28 to 44 form an integral part of these accounts.

Consolidated Statement of Changes in Financial Position

For the year ended 31st December, 1991

	1991 HK$'000	*1990* HK$'000
Sources of funds		
Profit before taxation	**91,075**	38,325
Adjustments for items not involving the movement of funds:		
Depreciation and amortisation	**24,695**	13,436
Loss on disposal of fixed assets	**509**	359
Profit on disposal of investment	**(203)**	(320)
Total generated from operations	**116,076**	51,800
Funds from other sources:		
Proceeds from disposal of fixed assets	**610**	58
Proceeds from disposal of investment	**255**	397
Exchange differences on translation of overseas subsidiaries	**2,337**	426
Issue of shares	**222,000**	0
	341,278	52,681
Application of funds		
Share issuing expenses	**14,971**	0
Tax paid	**15,183**	846
Purchases of fixed assets	**42,651**	11,117
Purchases of investments	**988**	783
Dividend paid	**0**	5,000
Acquisition of subsidiaries	**39,900**	0
	113,693	17,746
	227,585	34,935

The notes on pages 28 to 44 form an integral part of these accounts.

	1991 HK$'000	1990 HK$'000
Changes in working capital		
Inventories	**96,386**	(1,948)
Trade, bills and other receivables, deposits and prepayments	**(54,231)**	15,967
Trade, bills and other payables and accruals	**133,648**	15,572
Movement in net liquid funds	**51,782**	5,344
	227,585	34,935

Summary of the effects of the acquisition of subsidiaries during the year:

	HK$'000
Intangible assets	**9,247**
Fixed assets	**20,630**
Inventories	**77,168**
Trade, bills and other receivables, deposits and prepayments	**66,730**
Cash and bank balances	**12,748**
Trade, bills and other payables and accruals	**(134,480)**
Taxation	**(9,127)**
Deferred taxation	**(619)**
Bank loans and overdrafts	**(4,060)**
Net assets acquired	**38,237**
Goodwill on consolidation	**1,663**
	39,900
Consideration paid:	
Cash	**6,800**
Shares issued	**33,100**
	39,900

The notes on pages 28 to 44 form an integral part of these accounts.

Notes to the Accounts

At 31st December, 1991

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF PROFORMA COMBINED RESULTS

In preparation for a listing of the Company's shares on The Stock Exchange of Hong Kong Limited in June 1991, the Company underwent a reorganisation on 6th May, 1991 whereby the Company ceased to be a subsidiary of Comitex Holdings Limited ("Comitex") and became the ultimate holding company of the existing Group.

To facilitate the comparison of results, the directors consider that it is more meaningful to include the combined results of the Group for the years ended 31st December, 1991 and 1990 as if the current group structure had been in existence throughout these two years. This basis of presentation is consistent with that adopted in the prospectus dated 28th May, 1991 issued by the Company in connection with its listing.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated accounts incorporate the audited accounts of Giordano Holdings Limited and its subsidiaries made up to 31st December, 1991.

The results of subsidiaries acquired during the year are dealt with in the consolidated profit and loss account from the effective dates of acquisition.

Capital reserve or goodwill arising on consolidation represent the excess or deficit of the fair value of the net assets of the subsidiaries at the dates of acquisition over the value of the consideration paid.

The capital reserve and goodwill arising on consolidation are offset against each other and the net amount is written off against reserves or included in reserves, where appropriate.

All material intercompany transactions and balances within the Group are eliminated on consolidation.

(b) Subsidiaries

Investment in subsidiaries are carried at cost, unless, in the opinion of the directors, there has been a permanent diminution in value when they are written down to directors' valuation. Details of subsidiaries are set out in note 24 to the accounts on page 44.

(c) Fixed assets

Depreciation on fixed assets is calculated to write off their costs on a straight line basis over their expected useful lives to the Group. The principal annual rates used for this purpose are:

Leasehold improvements	20% - 33-1/3%
Plant and machinery	20% - 33-1/3%
Furniture and fixtures	20% - 33-1/3%
Office equipment	20% - 33-1/3%
Motor vehicles	25%
Leisure boat	20%

(d) Export quota entitlements

Purchased permanent export quota entitlements are capitalised and amortised over five years.

Temporary export quota entitlements acquired are expensed in the year in which they are utilised.

Export quota entitlements allocated by the authorities in Hong Kong are not capitalised and are not included as assets in the accounts.

(e) Other intangible assets

Preliminary expenses in respect of retail shops and office premises are written off over the terms of the respective leases.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and is arrived at as follows:

(i) Raw materials and purchased goods - invoiced prices plus procurement costs.

(ii) Work in progress and finished goods - cost of direct materials, direct labour and an appropriate proportion of production overhead.

Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition.

(g) Taxation

The charge for taxation is based on the profit for the year as adjusted for items which are non-assessable or disallowable. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the accounts. The tax effect of timing differences, computed under the liability method, is recognised in the accounts to the extent that it is probable a liability or asset will crystallise in the foreseeable future.

(h) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the rates of exchange ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are incorporated into the accounts by translating foreign currencies into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising are included in operating results.

The accounts of overseas subsidiaries and branches at the year end are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising on the translation of share capital and opening reserves of these entities are taken directly to exchange reserve.

(i) Operating lease

Rentals applicable to operating leases, under which substantially all the benefits and risks of the ownership remain with the lessor, are charged to the profit and loss account as incurred.

3. TURNOVER

Turnover comprises sales at invoiced value to customers outside the Group, less returns and discounts.

4. PROFIT BEFORE TAXATION

	Group	
	1991	*1990*
	HK$'000	*HK$'000*
Profit before taxation is stated after charging:		
Auditors' remuneration	**874**	341
Amortisation of intangible assets	**2,904**	775
Depreciation of fixed assets	**21,791**	12,661
Interest on bank loans and overdrafts repayable within 5 years	**630**	131
Interest on other borrowings repayable within 5 years	**978**	4,857
Operating lease rentals in respect of retail shops, office premises, factories and warehouses	**159,759**	83,646
and after crediting:		
Interest income	**3,584**	0
Net income arising from temporary transfer of export quota entitlements	**4,613**	0
Net gain on exchange	**5,603**	3,125

5. DIRECTORS' REMUNERATIONS

The aggregate amounts of the directors' remunerations disclosed pursuant to Section 161 of the Companies Ordinance are as follows:

	Group	
	1991	*1990*
	HK$'000	*HK$'000*
As directors	**300**	0
For management	**7,799**	2,231
	8,099	2,231

6. TAXATION

(a) The charge for taxation in the consolidated profit and loss account represents:

	Group	
	1991	1990
	HK$'000	HK$'000
Hong Kong profits tax	**6,276**	6,234
Overseas taxation	**10,745**	1,460
Deferred taxation (Note 19)	**880**	216
	17,901	7,910

The provision for taxation of the Company and its Hong Kong subsidiaries is calculated by applying the current rate of taxation of 16.5% (1990: 16.5%) to the estimated assessable profits earned in or derived from Hong Kong during the year.

Taxation on the profits of other subsidiaries operating overseas is calculated at the rates applicable in the respective jurisdictions.

(b) Taxation in the balance sheet represents the amount provided for Hong Kong profits tax and overseas taxation less provisional tax paid.

7. PROFIT ATTRIBUTABLE TO THE MEMBERS

Included in profit attributable to the members is HK$452,663,000 (1990: HK$5,011,000), including dividends from subsidiaries amounting to HK$446,147,000 (1990: HK$5,000,000), which has been dealt with in the accounts of the Company.

8. DIVIDENDS

	1991	1990
	HK$'000	HK$'000
Interim dividend (1990: HK$2,500,000 per share on 2 shares in issue)	**0**	5,000
Proposed final dividend of 4 cents per share (1990: nil)	**24,038**	0
Proposed special cash dividend of 1 cent per share (1990: nil)	**6,010**	0
	30,048	5,000

9. EARNINGS PER SHARE

(a) The calculation of earnings per share for 1991 is based on the consolidated profit after taxation for that year of HK$73,174,000 and the weighted average of 389,394,015 shares in issue during that year.

The calculation of earnings per share for 1990 is based on the consolidated profit after taxation for that year of HK$30,415,000 and 50,990,020 shares in issue or deemed to have been in issue during that year. In the opinion of the directors, this figure is not entirely comparable with that of 1991 as the Company was in 1990 a private company wholly-owned by Comitex, which was then thinly capitalised, and whose operations was substantially financed by Comitex. Pursuant to the reorganization as set out in note 1 to the accounts on page 28, the Company's issued share capital was increased from 2 shares of HK$1.00 each in 1990 to 600,000,000 shares of HK$0.10 each in 1991.

(b) The calculation of combined earnings per share is based on the combined profit after taxation for the year of HK$ 85,130,000 (1990: HK$ 45,501,000) and the weighted average of 537,500,000 shares (1990: 450,000,000 shares) that would have been in issue during the year on the basis of presentation as set out in note 1 to the accounts on page 28.

10. INTANGIBLE ASSETS

	Group	
	1991	*1990*
	HK$'000	*HK$'000*
Purchased permanent export quota entitlements	**17,112**	0
Less: Amounts amortised	**(10,367)**	0
	6,745	0
Other intangible assets	**1,817**	2,148
Less: Amounts amortised	**(1,678)**	(1,609)
	139	539
Total intangible assets	**6,884**	539

Other intangible assets include the preliminary expenses and lease premium in respect of retail shops and office premises.

11. FIXED ASSETS

	Plant & machinery	*Leasehold improvements, furniture, fixtures & equipment*	*Motor vehicles & leisure boat*	*Total*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The Group:				
Cost				
At 1st January, 1991	0	49,427	2,099	51,526
Translation difference on opening balance	0	1,689	112	1,801
On acquisition of subsidiaries	12,405	34,070	2,149	48,624
Additions	5,078	34,880	2,693	42,651
Disposals	(92)	(14,371)	(390)	(14,853)
At 31st December, 1991	17,391	105,695	6,663	129,749
Aggregate depreciation				
At 1st January, 1991	0	34,128	767	34,895
Translation difference on opening balance	0	901	44	945
On acquisition of subsidiaries	8,284	18,652	1,058	27,994
Charge for the year	1,382	19,372	1,037	21,791
Disposals	(39)	(13,389)	(307)	(13,735)
At 31st December, 1991	9,627	59,664	2,599	71,890
Net book value at 31st December, 1991	7,764	46,031	4,064	57,859
Net book value at 31st December, 1990	0	15,299	1,332	16,631

	Furniture, fixtures & equipment HK$'000	*Motor vehicles & leisure boat* HK$'000	*Total* HK$'000
The Company:			
Cost			
At 1st January, 1991	33	315	348
Additions	7,429	892	8,321
Disposals	(632)	(162)	(794)
At 31st December, 1991	6,830	1,045	7,875
Aggregate depreciation			
At 1st January, 1991	2	26	28
Charge for the year	1,035	227	1,262
Disposals	(304)	(56)	(360)
At 31st December, 1991	733	197	930
Net book value at 31st December, 1991	6,097	848	6,945
Net book value at 31st December, 1990	31	289	320

12. INTEREST IN SUBSIDIARIES

	Company	
	1991	*1990*
	HK$'000	*HK$'000*
Unlisted shares, at cost	**441,922**	22,019
Amounts due from subsidiaries	**200,949**	0
Amounts due to subsidiaries	**0**	(680)
	642,871	21,339

Pursuant to the reorganization as set out in note 1 to the accounts on page 28, the Company acquired Cohin Knitting & Garment Manufacturers Limited, CG Limited and East Jean Limited for a total consideration of HK$39,900,000. In addition, the Company invested a further amount of HK$380,000,000 in a wholly owned subsidiary, Walton International Limited, for the purpose of financing the assignment of the GIORDANO trademark from Giordano Limited to Walton International Limited.

Details of subsidiaries are set out on note 24 to the accounts on page 44.

13. OTHER INVESTMENTS

	Group		Company	
	1991	*1990*	*1991*	*1990*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Club debentures, at cost	**1,777**	783	**1,660**	684
Other investments	**0**	51	**0**	0
	1,777	834	**1,660**	684

14. CURRENT ASSETS

	Group		Company	
	1991	1990	**1991**	1990
	HK$'000	HK$'000	**HK$'000**	HK$'000
Inventories (Note 16)	**242,773**	69,219	**58**	0
Trade and bills receivable	**42,647**	48,311	**637**	0
Other receivables, deposits and prepayments	**42,448**	24,257	**699**	4
Bank and cash balances	**71,289**	10,822	**13,462**	13
	399,157	152,609	**14,856**	17

15. CURRENT LIABILITIES

	Group		Company	
	1991	1990	**1991**	1990
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due to Comitex group	**0**	94,666	**0**	21,894
Trade and bills payable	**64,173**	13,012	**0**	0
Other payables and accruals	**64,495**	20,131	**5,664**	466
Taxation (Note 6)	**21,179**	9,845	**217**	0
Proposed dividends	**30,048**	0	**30,048**	0
	179,895	137,654	**35,929**	22,360

16. INVENTORIES

	Group		Company	
	1991	1990	**1991**	1990
	HK$'000	HK$'000	**HK$'000**	HK$'000
Raw materials	**7,913**	3,113	**0**	0
Work in progress	**52,373**	0	**0**	0
Finished goods	**182,487**	66,106	**58**	0
	242,773	69,219	**58**	0

17. SHARE CAPITAL

	1991	*1990*
	HK$'000	*HK$'000*
Authorised:		
800,000,000 shares of HK$0.10 each (1990: 1,000 shares of HK$1.00 each)	**80,000**	1
Issued and fully paid:		
600,000,000 shares of HK$0.10 each (1990: 2 shares of HK$1.00 each)	**60,000**	0

During the year, the following changes in the Company's share capital took place pursuant to the reorganization as set out in note 1 to the accounts on page 28:

(a) On 6th May, 1991, the authorised share capital was increased to HK$45,000,000 by the creation of an additional 44,999,000 shares of HK$1.00 each and each of the shares of HK$1.00 each was subdivided into 10 shares of HK$0.10 each.

(b) On 13th June, 1991, the authorised share capital was further increased to HK$80,000,000 by the creation of an additional 350,000,000 new shares of HK$0.10 each.

(c) On 6th May , 1991, the Company issued at par 9,980 shares of HK$0.10 each to Comitex for cash and 50,990,000 shares of HK$0.10 each to Comitex by capitalising an amount of HK$5,099,000 in the balance due to Comitex.

(d) On 6th May, 1991, the Company further issued at par 68,000,000 shares of HK$0.10 each to the shareholders of Comitex for cash to finance the acquisition of Cohin Knitting & Garment Manufacturers Limited and C G Limited.

(e) On 6th May, 1991, the Company further issued at par 298,000,000 shares of HK$0.10 each to acquire 90% of the issued share capital of East Jean Limited for a consideration of HK$29,800,000.

(f) On 13th June, 1991, the Company issued and allotted 150,000,000 shares of HK$0.10 each at a premium of HK$1.08 per share to the public for cash.

(g) On 13th June, 1991, the Company issued and allotted 33,000,000 shares of HK$0.10 each at par to acquire the remaining 10% of the issued share capital of East Jean Limited for a consideration of HK$3,300,000.

On 29th July, 1991 options to subscribe for 30,000,000 shares at HK$0.81 per share were granted to certain directors and employees under the employee share option scheme ("the Scheme"). These options may be exercised at any time during the period commencing six calendar months after the date of grant and expiring on the fifth anniversary date of grant. No options were exercised during the year.

Subsequent to the balance sheet date, the Company has issued and alloted 950,000 shares of HK$0.10 each at a premium of HK$0.71 per share for cash to employees of the Group who have exercised their share options under the scheme

18. RESERVES

	Group HK$'000	*Company* HK$'000
(a) Share premium:		
Balance at 1st January,1991	0	0
Arising on issue of new shares during the year	162,000	162,000
Share issuing expenses	(14,971)	(14,971)
Balance at 31st December,1991	147,029	147,029
(b) Capital reserve:		
Balance at 1st January, 1991	0	0
Transfer from retained profits	0	380,000
Balance at 31st December, 1991	0	380,000
(c) Exchange reserve:		
Balance at 1st January, 1991	1,265	0
Exchange differences arising from translation of the accounts of overseas subsidiaries and branches	2,801	0
Balance at 31st December, 1991	4,066	0
(d) Retained profits:		
Balance at 1st January, 1991	30,681	0
Retained profit for the year	43,126	422,615
Goodwill arising on consolidation written off	(1,663)	0
Transfer to capital reserve	0	(380,000)
Balance at 31st December, 1991	72,144	42,615
Total reserves at 31st December, 1991	223,239	569,644
Total reserves at 31st December, 1990	31,946	0

The amount transferred from retained profits to capital reserve represents the unrealised profit arising from the assignment of the GIORDANO trademark valued at HK$380,000,000 between two subsidiary companies.

19. DEFERRED TAXATION	Group		Company	
	1991	1990	**1991**	1990
	HK$'000	HK$'000	**HK$'000**	HK$'000
Balance at 1st January	**1,013**	763	**0**	0
Translation difference on opening balance	**31**	34	**0**	0
Deferred tax liabilities of subsidiaries acquired	**1,082**	0	**0**	0
Deferred tax credits of subsidiaries acquired	**(463)**	0	**0**	0
Transfer from profit and loss account	**880**	216	**759**	0
Balance at 31st December	**2,543**	1,013	**759**	0

The deferred tax liability which arises mainly from accelerated depreciation allowances has been fully provided for in these accounts. The deferred tax asset in respect of tax losses not taken up in the consolidated accounts as at 31st December, 1991 arising from the deduction of the GIORDANO trademark valued at HK$380,000,000 for tax purpose, was HK$61,891,000 (1990: nil).

20. RELATED PARTY TRANSACTIONS

During the year, the Group in the normal course of business purchased sweaters from the Comitex group amounting to HK$91,852,000 (1990: HK$55,814,000). In addition, prior to the reorganization mentioned in note 1 to the accounts on page 28, the Group was involved in the following transactions with the Comitex group:

	Group	
	1991	*1990*
	HK$'000	*HK$'000*
Interest expense on inter-company balances	**1,214**	1,489
Management and computer services charges	**0**	5,547

21. COMMITMENTS

As at 31st December, 1991, the Group had annual minimum commitments under operating leases in respect of retail shops, office premises, factories and warehouses as set out below:

	Group	
	1991	*1990*
	HK$'000	*HK$'000*
Operating leases which expire:		
Within one year	**40,459**	8,343
In the second to fifth years inclusive	**81,498**	82,290
Over five years	**2,496**	0
	124,453	90,633

22. CONTINGENT LIABILITIES

As at 31st December, 1991, the Group had contingent liabilities not included in the accounts in respect of the following:

	Group	
	1991	1990
	HK$'000	HK$'000
(a) Export bills discounted with recourse	**5,680**	0
(b) Letters of credit issued but not yet utilised	**7,046**	3,222
(c) Bank guarantees in lieu of utility deposits	**3,103**	2,793
	15,829	6,015

Trade financing facilities granted by banks to certain subsidiaries were guaranteed by the Company. As at 31st December, 1991, the amount of such facilities utilised was HK$15,829,000.

23. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Group has acquired from Comitex the entire issued share capital of Gloss Mind Limited and an outstanding shareholder's loan for a total cash consideration of HK$8,500,000.

24. SUBSIDIARIES

Name of subsidiary	*Country of incorporation*	*Effective percentage of equity holding* 1991	1990	*Issued and fully paid share capital*	*Principal activities and country of operation*
Giordano Limited	Hong Kong	100	100	Ordinary HK$5,000,000	Retailing of apparel and accessories in Hong Kong
Giordano Originals (Singapore) Private Limited	Republic of Singapore	100	100	Ordinary S$1,900,002	Retailing of apparel and accessories in Singapore
East Jean Limited	Hong Kong	100	-	Ordinary HK$1,000,000	Retailing of apparel and accessories in Taiwan
Cohin Knitting & Garment Manufacturers Limited	Hong Kong	100	-	Ordinary HK$2,000 Non-voting deferred HK$3,261,000	Manufacturing of fine knitwear in Hong Kong and the People's Republic of China
C G Limited (Formerly Comitex Garments Limited)	Hong Kong	100	-	Ordinary HK$200 Non-voting deferred HK$500,000	Manufacturing of woven products in the People's Republic of China
Walton International Limited	Cayman Islands	100	100	Ordinary US$102	Licensing of trademarks in Hong Kong
St. Hooks Brothers Limited	Hong Kong	100	-	Ordinary HK$2	Holding of shop leases in Hong Kong
Uniform Master Limited	Hong Kong	100	-	Ordinary HK$2	Holding of shop leases in Hong Kong
Giordano International Limited	Cayman Islands	100	-	Ordinary US$2	Dormant
Eternal Business Limited*	Hong Kong	100	-	Ordinary HK$100	Holding of shop leases in Hong Kong

* indirect subsidiary

Report of the Auditors

To the members of

GIORDANO HOLDINGS LIMITED

We have audited the accounts set out on pages 24 to 44 in accordance with Auditing Standards.

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group at 31st December, 1991 and of the profit and changes in financial position of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

COOPERS & LYBRAND

Certified Public Accountants

Hong Kong, 9th April, 1992